Barteak Developments Limited

Report and Financial Statements

Year Ended

30 September 2009

Company Number 01363951



Barteak Developments Limited

Report and financial statements
for the year ended 30 September 2009

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Directors

DR Back
PJ Webb

Registered office

Avon House, 435 Stratford Road, Shirley, Solihull, B90 4AA

Company number

01363951

Auditors

BDO LLP, 125 Colmore Row, Birmingham, B3 3SD

Barteak Developments Limited

Report of the directors
for the year ended 30 September 2009

The directors present their report together with the audited financial statements for the year ended 30 September 2009

Results and dividends

The profit and loss account is set out on page 6 and shows the loss for the year

Principal activity

The company's principal activity is that of a property developer, engaged in residential, commercial, retail and mixed use developments The company operates in the East and West Midlands

Our business is to identify opportunities, obtain planning consent and to undertake the construction, sale and management of these developments We are involved from the inception to the ongoing management of the scheme

Review of business and future developments

The Directors present their annual report and audited financial statements for the year ending 30 September 2009

Turnover of £7 3m represents the low point in the current market Turnover comprised principally contract works and land sales

Progress during the year included development agreement and planning approval for a mixed use site at Rugby, heads of terms agreement for construction contracts and onward land sale that form the basis of future turnover This is sufficient to service overheads and finance facilities and there are also a number of sites currently being marketed for land or package deals in student, care and commercial sectors

Land holdings have current planning consents, including renewals where necessary, and have been diversified into student, care, and commercial sectors where enhanced or more resilient value can be achieved All land is included in the balance sheet at current market values

The business plan for future years indicates turnover of £13 5m for 2010 comprising contract construction works and land sales with a return to profit before tax of £550k Also projected construction contracts, package deals for commercial and care developments and land sales indicates turnover of £14m for 2011 with profit growth to £600k

Construction contracts of £10m have been signed and are on programme to date Heads of terms have been agreed for land sales of three sites and lawyers instructed Management accounts indicate turnover at £7m and profit before tax of £150k at June 2010 It is anticipated that on-going construction and land sales will meet business plan targets for the year end 2010

A further construction contract for £8m is agreed and lawyers instructed with on-going negotiations for a commercial development package deal of circa £5m Together with current construction contracts this makes the target £14m turnover for 2011 very achievable

Target and secured turnover up to year ending 2011 is based on contracted and pre-signed deals with no speculative exposure to the current market It is anticipated during the period that subject to market conditions and suitable financing some speculative residential development will be started Future speculative developments will be made with a financial development partner at low debt levels

The current group facility with the bank has been held over to date Further facilities on the same terms are open for acceptance to the end of the current financial year Negotiations are currently underway to extend this for a further year Debt is being paid down as site sales complete

The outlook for the business is to continue to reduce fixed costs, enhance effective working, and pay down debt We will continue to build identity in the care sector as a "facilitator" for development of mixed use sites where development margins can be obtained We will also aim to limit the risk of speculative development and structure finance with development partners at low debt gearing levels

Going concern

As noted in the review of business section above the company has experienced trading and cash flow difficulties during the year to 30 September 2009, as a result of the underlying economic difficulties

The directors have taken all necessary actions to mitigate the impact of these conditions which included the managed reduction of current bank funding requirements, the monitoring of working capital requirements and management of available facilities they have also carefully considered likely future trading and resultant cashflows in order to prepare these financial statements on a going concern basis

As part of this process the directors have prepared detailed profit and cash flow forecasts for the company until September 2011 which are supported by current activity levels, assessments of the likely demand from clients and the results achieved in the period to 30 June 2010 All bank funding requirements under these assessments are within current banking facilities

The company is party to group facilities with Bank of Scotland ("group's lenders") Whilst these facilities formally expired on 31 October 2009 the group's lenders have continued to support the group on a rolling monthly basis and are in the process of finalising for a period of 12 months on similar terms to those attached to the expired facilities They have advised that the current facility will be further extended to 30 September 2011 allowing necessary time for the new facility to be finalised

On the above basis the Directors continue to adopt the going concern basis in preparing the financial statements

Indemnity provision

Third party indemnity cover for the directors was in place during the financial year and at the year end

Directors

The directors of the company during the year were

DR Back
PJ Webb

Directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information The directors are not aware of any relevant audit information of which the auditors are unaware

BDO LLP were appointed as auditors during the year and have expressed their willingness to continue in office A resolution to re-appoint them will be proposed at the annual general meeting

On behalf of the board

DR Back

Director

Date 24/8/10

Barteak Developments Limited

Independent auditor's report

TO THE MEMBERS OF BARTEAK DEVELOPMENTS LIMITED

We have audited the financial statements of Barteak Developments Limited for the year ended 30 September 2009 which comprise the profit and loss account, the balance sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

BDO LLP

Mark Anslow (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Birmingham
United Kingdom

Date 31 August 2010

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Barteak Developments Limited

Profit and loss account
for the year ended 30 September 2009

	Note	2009 £'000	2008 £'000
Turnover	2	**7,341**	16,821
Cost of sales		**7,441**	15,425
Gross (loss)/profit		**(100)**	1,396
Administrative expenses		**1,537**	1,935
		(1,637)	(539)
Other operating income		**66**	171
Operating loss	3	**(1,571)**	(368)
Interest payable and similar charges	6	**(216)**	(876)
Loss on ordinary activities before taxation		**(1,787)**	(1,244)
Taxation on loss on ordinary activities	7	**(9)**	54
Loss on ordinary activities after taxation		**(1,796)**	(1,190)

All amounts relate to continuing activities
All recognised gains and losses in the current and prior year are included in the profit and loss account

The notes on pages 8 to 18 form part of these financial statements

Barteak Developments Limited

Balance sheet
at 30 September 2009

Company number 01363951	Note	2009 £'000	2009 £'000	2008 £'000	2008 £'000
Fixed assets					
Tangible assets	8		**325**		78
Fixed asset investments	9		**1**		-
			326		78
Current assets					
Stocks	10	**3,288**		6,650	
Debtors	11	**6,646**		8,660	
Cash at bank and in hand		**2**		31	
		9,936		15,341	
Creditors: amounts falling due within one year	12	**9,498**		12,859	
Net current assets			**438**		2,482
Total assets less current liabilities			**764**		2,560
Capital and reserves					
Share premium account	16		**110**		110
Profit and loss account	16		**654**		2,450
Shareholders' funds	17		**764**		2,560

The financial statements were approved by the board of directors and authorised for issue on 24 August 2010

DR Back
Director

The notes on pages 8 to 18 form part of these financial statements

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards

The following principal accounting policies have been applied

Going concern

Due to the underlying economic conditions impacting on the UK property market the company incurred a loss before tax of £1,787,000 for the year ended 30 September 2009 and ended with net assets of £764,000 at that date Whilst the directors have taken all necessary actions to mitigate the impact of these conditions which included the managed reduction of current bank funding requirements, the monitoring of working capital requirements and management of available facilities they have also carefully considered likely future trading and resultant cashflows in order to prepare these financial statements on a going concern basis

As part of this process the directors have prepared detailed profit and cash flow forecasts for the company until September 2011 which are supported by current activity levels, assessments of the likely demand from clients and the results achieved in the period to 30 June 2010 All bank funding requirements under these assessments are within current banking facilities

The company is party to group facilities with Bank of Scotland ("group's lenders") Whilst these facilities formally expired on 31 October 2009 the group's lenders have continued to support the group on a rolling monthly basis and are in the process of finalising for a period of 12 months on similar terms to those attached to the expired facilities They have advised that the current facility will be further extended to 30 September 2011 allowing necessary time for the new facility to be finalised

On the above basis the Directors continue to adopt the going concern basis in preparing the financial statements

Consolidated financial statements

The financial statements contain information about Barteak Developments Limited as an individual company and do not contain consolidated financial information as the parent of a group The company has taken advantage of the exemption conferred by section 400 of the Companies Act 2006 not to produce consolidated financial statements as it is included in EEA group accounts of a larger group

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' not to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the company are controlled within the group headed by Barteak Developments (Holdings) Limited and the company is included in consolidated financial statements

Turnover

Turnover represents the fair value of consideration receivable, excluding value added tax, for goods and services supplied to external customers In respect of long term contracting activities, turnover reflects the fair value of work executed during the year

1 Accounting policies *(continued)*

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, except for investment properties and freehold land, evenly over their expected useful lives It is calculated at the following rates

Office equipment	- 25-33% per annum
Fixtures and fittings	- 20-25% per annum
Motor vehicles	- 25% per annum

Stocks

Stocks are valued at the lower of cost and net realisable value Cost is based on the cost of purchase on a first in, first out basis Net realisable value is based on estimated selling price less additional costs to completion and disposal

Long-term contracts are assessed on a contract by contract basis and are reflected in the profit and loss account by recording turnover and related costs as contract activity progresses Where the outcome of each long-term contract can be assessed with reasonable certainty before its conclusion, the attributable profit is recognised in the profit and loss account as the difference between the reported turnover and related costs for that contract

Deferred taxation

The charge for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief, and
- the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences

Leased assets

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

Pension costs

The company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the group in an independently administered fund The amount charged to the profit and loss account represents contributions payable to the scheme in respect of the accounting year

Related party disclosures

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8, 'Related party disclosures', not to disclose transactions with members or investees of the group headed by Barteak Developments (Holdings) Limited on the grounds that 100% of the voting rights in the company are controlled within that group and the company is included in consolidated financial statements

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom

Turnover represents the amounts invoiced by the company during the year, together with relevant amounts in respect of long term contracts as described above

3 Operating loss

	2009 £'000	2008 £'000
This is arrived at after charging		
Depreciation of tangible fixed assets	**76**	18
Hire of land and buildings - operating leases	**159**	33
Hire of other assets - operating leases	**15**	2
Auditors' remuneration - fees payable to the company's auditor for the audit of the company's annual accounts	**10**	17
Other services relating to tax	**2**	3

4 Employees

Staff costs (including directors) consist of

	2009 £'000	2008 £'000
Wages and salaries	**556**	1,094
Social security costs	**58**	120
Other pension costs	**4**	6
	618	1,220

The average number of employees (including directors) during the year was as follows

	2009 Number	2008 Number
Administration and management	**16**	22
Site	**4**	7
	20	29

5 Directors' remuneration

	2009 £'000	2008 £'000
Directors' emoluments	**71**	249

The total amount payable to the highest paid director in respect of emoluments was £57,000 (2008 - £129,000)

6 Interest payable and similar charges

	2009 £'000	2008 £'000
Bank loans and overdrafts	**216**	676
Other bank charges	**-**	200
	216	876

7 Taxation on loss on ordinary activities

	2009 £'000	2008 £'000
UK Corporation tax		
Current tax on profits of the year	**-**	(59)
Adjustment in respect of previous periods	**8**	-
Deferred tax		
Origination and reversal of timing differences	**1**	5
Taxation on loss on ordinary activities	**9**	(54)

7 Taxation on loss on ordinary activities *(continued)*

The tax assessed for the year is higher than the standard rate of corporation tax in the UK applied to loss before tax The differences are explained below

	2009 £'000	2008 £'000
Loss on ordinary activities before tax	**(1,787)**	(1,244)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 28% (2008 - 29%)	**(500)**	(361)
Effect of		
Expenses not deductible for tax purposes	**98**	97
Depreciation for period in excess/(deficit) of capital allowances	**11**	(5)
Adjustment to tax charge in respect of previous periods	**8**	-
Increases in losses carried forward	**391**	198
Land remediation	**-**	12
Current tax charge/(credit) for the year	**8**	(59)

The company has corporation tax losses of approximately £2 6m (2008 - £1 2m) to carry forward against future profits A deferred tax asset has not been recognised as there is uncertainty over whether these losses will be utilised in the immediate future

8 Tangible fixed assets

	Freehold land and buildings £'000	Motor vehicles £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost					
At 1 October 2008	15	11	151	153	330
Additions	-	-	321	2	323
Disposals	-	-	(93)	-	(93)
At 30 September 2009	**15**	**11**	**379**	**155**	**560**
Depreciation					
At 1 October 2008	-	7	104	141	252
Provided for the year	-	3	63	10	76
Disposals	-	-	(93)	-	(93)
At 30 September 2009	-	**10**	**74**	**151**	**235**
Net book value					
At 30 September 2009	**15**	**1**	**305**	**4**	**325**
At 30 September 2008	15	4	47	12	78

Freehold land is not depreciated

9 Fixed asset investments

	Group undertakings £'000
Cost	
At 1 October 2008 and 30 September 2009	1

Subsidiary undertakings, associated undertakings and other investments

The principal undertakings in which the company's interest at the year end is 20% or more are as follows

	Country of incorporation or registration	Class of share capital held	Proportion of share capital held	Nature of business
Subsidiary undertakings				
Barteak Developments (Great Bridge) Limited	England and Wales	Ordinary	100%	Dormant
Barteak Developments (Mayfields) Limited	England and Wales	Ordinary	100%	Property Development
Flintham Developments Limited	England and Wales	Ordinary	100%	Dormant
Merton Street Commercial Limited	England and Wales	Ordinary	100%	Property Development
Barteak Developments (Halesowen) Limited	England and Wales	Ordinary	100%	Property Development
Barteak Developments (Coventry) Limited	England and Wales	Ordinary	100%	Property Development

10 Stocks

	2009 £'000	2008 £'000
Work in progress	3,288	6,650

There is no material difference between the replacement cost of stocks and the amounts stated above

11 Debtors

	2009 £'000	2008 £'000
Trade debtors	431	249
Amounts owed by group undertakings	5,296	5,593
Corporation tax recoverable	50	459
Other debtors	157	240
Prepayments and accrued income	76	75
Amounts recoverable on contracts	636	2,043
Deferred taxation (see note 13)	-	1
	6,646	8,660

All amounts shown under debtors fall due for payment within one year

12 Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Bank overdrafts	6,585	9,892
Trade creditors	1,796	2,077
Other taxation and social security	12	-
Director's loan	500	-
Other creditors	21	96
Accruals and deferred income	584	794
	9,498	12,859

The bank overdrafts are secured by several first legal charges agreements over certain developments and freehold land Interest is charged at 3 00% above the three month LIBOR rate

13 Provisions for liabilities

	Deferred taxation £'000
Transferred from debtors	(1)
Utilised in year	1
At 30 September 2009	-

13 Provisions for liabilities *(continued)*

Deferred taxation

	2009 £'000	2008 £'000
Accelerated capital allowances	-	(1)

At 30 September 2009 the company had an unrecognised deferred tax asset of approximately £725,000 (2008 - £228,000) due to losses carried forward which is not recognised due to uncertainty over future recoverability

14 Pensions

The company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the company in an independently administered fund The pension charge amounted to £4,000 (2008 - £6,000) There were no outstanding or prepaid contributions at either the beginning or end of the financial year

15 Share capital

	2009 £	2008 £
Allotted, called up and fully paid		
6,126 ordinary shares of £0 01 each	**61**	61

16 Reserves

	Share premium account £'000	Profit and loss account £'000
At 1 October 2008	110	2,450
Loss for the year	-	(1,796)
At 30 September 2009	**110**	**654**

17 Reconciliation of movements in shareholders' funds

	2009 £'000	2008 £'000
Loss for the year	**(1,796)**	(1,190)
Opening shareholders' funds	**2,560**	3,750
Closing shareholders' funds	**764**	2,560

18 Contingent liabilities

The company has given a legal charge to the company's bankers over certain developments and freehold land

19 Commitments under operating leases

The company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings 2009 £'000	Other 2009 £'000	Land and buildings 2008 £'000	Other 2008 £'000
Operating leases which expire				
Within one year	-	**9**	33	3
In two to five years	-	**2**	-	1
After five years	**159**	**-**	-	-
	159	**11**	33	4

20 Related party disclosures

Related party transactions and balances

	Sales to related party £'000	Interest incurred £'000	Transactions with related parties £'000	Amounts owed to related parties £'000	Loan due to related party £'000
2009					
Gannymead Pension Scheme	-	5	-	-	505
Fairfield Investments Limited	-	-	-	-	-
L Back	-	-	43	-	-
DR Back and L Back	1,296	-	-	257	-
2008					
Gannymead Pension Scheme	-	-	-	-	-
Fairfield Investments Limited	11	-	-	1	-
L Back	-	-	43	-	-
DR Back and L Back	1,822	-	-	1,822	-

Gannymead Pension Scheme is the personal pension scheme of DR Back

L Back is the wife of DR Back During the year the group contracted with DR Back and L Back for the refurbishment of offices at Avon House, Shirley, B90 4AA

DR Back is a shareholder in Fairfield Investments Limited

At 30 September 2009 a loan of £500,000 (2008 - £nil) was due to DR Back The maximum balance of this loan during the year was £500,000 (2008 - £nil)

All related party transactions took place on an arm's length basis

* DR Back has guaranteed £300,000 of the group's borrowings * TO BE REMOVED AS AGREED WITH DANIEL

21 Ultimate parent company and parent undertaking of larger group

The company is a subsidiary of Barteak Developments (Holdings) Limited which is the ultimate parent company incorporated in England

The largest and smallest group in which the results of the company are consolidated is that headed by Barteak Developments (Holdings) Limited, incorporated in England The consolidated accounts of this company are available to the public and may be obtained from Companies House No other group accounts include the results of the company

DR Back has a controlling interest in the share capital of Barteak Developments (Holdings) Limited and is regarded as the ultimate controlling party